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MEMBERSHIP

July 13, 2023

Financial Results for FY2022 Q4

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 Listing: Tokyo Stock Exchange
 Securities code: 4443
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 Scheduled date of annual general meeting of shareholders: August 29, 2023
 Scheduled date to commence dividend payment: –
 Scheduled date to file annual securities report: August 30, 2023
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded down, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

| Fiscal year ended | Net sales | | Adjusted operating profit (Note 1) | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|-------------------|-----------------|------|------------------------------------|-------|------------------|--------|-----------------|--------|---|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| May 31, 2023 | 25,510 | 24.9 | 942 | 28.9 | 199 | (68.5) | 122 | (87.4) | (141) | – |
| May 31, 2022 | 20,420 | 26.2 | 730 | (7.0) | 631 | (14.2) | 968 | 158.3 | 857 | 369.7 |

Notes: Comprehensive income For the fiscal year ended May 31, 2023: ¥(63) million [–%]
 For the fiscal year ended May 31, 2022: ¥(658) million [–%]

| Fiscal year ended | Basic earnings per share (Note 2) | Diluted earnings per share (Note 2) | Return on equity | Ordinary profit/total assets | Operating profit/net sales |
|-------------------|-----------------------------------|-------------------------------------|------------------|------------------------------|----------------------------|
| | Yen | Yen | % | % | % |
| May 31, 2023 | (1.13) | – | (1.2) | 0.4 | 0.8 |
| May 31, 2022 | 6.87 | 6.77 | 7.0 | 3.9 | 3.1 |

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended May 31, 2023: ¥(287) million
 For the fiscal year ended May 31, 2022: ¥(609) million

Note: 1. Adjusted operating profit = operating profit + share-based payment expenses + expenses that arise from business combinations (amortization of goodwill and amortization of intangible assets)

2. Sansan, Inc. (the “Company”) implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, basic earnings per share and diluted earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|--------------|-----------------|-----------------|-----------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| May 31, 2023 | 31,200 | 13,190 | 40.6 | 105.18 |
| May 31, 2022 | 26,292 | 12,093 | 45.4 | 96.78 |

Reference: Equity

As of May 31, 2023: ¥12,660 million

As of May 31, 2022: ¥11,944 million

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, net assets per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| May 31, 2023 | 3,848 | 1,364 | 523 | 20,985 |
| May 31, 2022 | 3,123 | (1,014) | 909 | 15,245 |

2. Cash dividends

| | Annual dividends | | | | | Total cash dividends (Total) | Payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|--|-------------------|--------------------|-------------------|-----------------|-------------|------------------------------|-----------------------------|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total | | | |
| Fiscal year ended May 31, 2022 | Yen – | Yen 0.00 | Yen – | Yen 0.00 | Yen 0.00 | Millions of yen – | % – | % – |
| Fiscal year ended May 31, 2023 | – | 0.00 | – | 0.00 | 0.00 | – | – | – |
| Fiscal year ending May 31, 2024 (Forecast) | – | 0.00 | – | 0.00 | 0.00 | | – | |

3. Consolidated earnings forecasts for the fiscal year ending May 31, 2024 (from June 1, 2023 to May 31, 2024)

(Percentages indicate year-on-year changes.)

| | Net sales | | Adjusted operating profit | |
|---------------------------------|-----------------|------------|---------------------------|------------|
| | Millions of yen | % | Millions of yen | % |
| Fiscal year ending May 31, 2024 | 32,653 | 28.0 | 1,240 | 31.7 |
| | to 33,674 | to 32.0 | to 1,852 | to 96.6 |

Note: For multi-step profit or loss under operating profit or loss, the Company refrains from disclosing a concrete forecast because it is difficult to make a reasonable estimate of share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and some non-operating income or expenses. For details, please refer to "(4) Future outlook" under "1. Qualitative information on consolidated financial results for the fiscal year ended May 31, 2023" on page 7 of the attached materials.

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - Changes in accounting policies due to other reasons: None
 - Changes in accounting estimates: None
 - Restatement: None

Note: For details, please refer to the section of “Changes in accounting policies” of “(5) Notes to consolidated financial statements” under “3. Consolidated financial statements and significant notes thereto” on page 18 of the attached materials.

(3) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

| | |
|--------------------|--------------------|
| As of May 31, 2023 | 125,410,584 shares |
| As of May 31, 2022 | 124,963,596 shares |

- b. Number of treasury shares at the end of the period

| | |
|--------------------|------------|
| As of May 31, 2023 | 871 shares |
| As of May 31, 2022 | 736 shares |

- c. Average number of outstanding shares during the period

| | |
|--------------------------------|--------------------|
| Fiscal year ended May 31, 2023 | 125,162,268 shares |
| Fiscal year ended May 31, 2022 | 124,841,631 shares |

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of outstanding shares during the period are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(Reference) Overview of non-consolidated financial results

Non-consolidated financial results for the fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

| Fiscal year ended | Net sales | | Operating profit | | Ordinary profit | | Profit | |
|-------------------|-----------------|------|------------------|--------|-----------------|--------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| May 31, 2023 | 24,926 | 24.3 | 321 | (53.0) | 533 | (67.7) | (473) | – |
| May 31, 2022 | 20,057 | 25.0 | 683 | (10.7) | 1,651 | 141.3 | 1,429 | 191.4 |

| Fiscal year ended | Basic earnings per share | Diluted earnings per share |
|-------------------|--------------------------|----------------------------|
| | Yen | Yen |
| May 31, 2023 | (3.78) | – |
| May 31, 2022 | 11.45 | 11.28 |

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, basic earnings per share and diluted earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity-to-asset ratio | Net assets per share |
|--------------|-----------------|-----------------|-----------------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| May 31, 2023 | 31,124 | 13,352 | 41.4 | 106.47 |
| May 31, 2022 | 27,202 | 13,128 | 47.7 | 105.06 |

Reference: Equity

As of May 31, 2023: ¥12,895 million

As of May 31, 2022: ¥12,986 million

Note: The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, net assets per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Forward-looking statements, including the earnings forecasts stated in these materials, are based on information currently available to the Company and certain assumptions deemed reasonable. Results may differ materially from the forecasts due to various factors.

Attached Material

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1. Qualitative information on consolidated financial results for the fiscal year ended May 31, 2023

(1) Explanation of operating results

Under the mission of “Turning encounters into innovation” and the vision of “Become business infrastructure,” the Company group (the “Group”) is providing cloud-based solutions that promote digital transformation (DX) and reshape how people work, leading to encounters with people and companies that become business opportunities by using approaches that combine systems that use technology and manpower to digitize analog information with cloud software.

Specifically, the Group is developing solutions to promote DX for corporate sales activities, invoicing work, contract work, etc. Moreover, as a result of reforming awareness regarding DX, changes to working styles due to the COVID-19 pandemic, and greater attention being given to SaaS (Software as a Service) products, the DX market in Japan is forecast to reach ¥5,195.7 billion by FY2030 (an increase of ¥3,813.6 billion since FY2020) (Note 1), while the SaaS market in Japan is forecast to reach ¥1,668.1 billion by FY2026 (an increase of ¥579.0 billion since FY2022) (Note 2). A sales DX solution Sansan, provided by the Company, holds 81.6% share (Note 3) of the B2B business card management service market, and this market has seen approximately 14-fold expansion from 2013 to 2021 in conjunction with the growth in the Company’s services. In addition, Bill One, a cloud-based invoice management solution provided by the Company, captured the number one market share of the online invoice receiving solution in terms of net sales (Note 4), with this market seeing a 226.0% increase year on year in FY2021.

Consolidated financial results for the fiscal year ended May 31, 2023 are as follows.

| | (Millions of yen) | | |
|--|-----------------------------------|-----------------------------------|------------|
| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 | YoY change |
| Net sales | 20,420 | 25,510 | +24.9% |
| Gross profit | 17,904 | 21,827 | +21.9% |
| Adjusted operating profit (Note 5) | 730 | 942 | +28.9% |
| Ordinary profit | 968 | 122 | (87.4)% |
| Profit attributable to owners of parent | 857 | (141) | – |

In the fiscal year under review, the Group engaged in strengthening the sales structure and enhancing functions for Sansan and Bill One, and increasing future profitability for Eight, in order to improve medium-term net sales growth and adjusted operating profit margin.

Consequently, results were solid in the fiscal year under review with net sales increasing 24.9% year on year, gross profit increasing 21.9% year on year (a gross profit margin of 85.6%). Adjusted operating profit increased 28.9% year on year due to an increase in net sales and other factors. On the other hand, ordinary profit decreased 87.4% year on year due to increase of share-based payment expenses and the recording of a gain on sale of investment securities of ¥979 million in non-operating income in the previous fiscal year. Furthermore, profit attributable to owners of parent was recorded in the red due to factors such as the recording of a loss on valuation of investment securities of ¥980 million in extraordinary losses.

- Notes:
1. Based on Market Edition and Vendor Strategy Edition of 2022 Outlook of the Digital Transformation Market by Fuji Chimera Research Institute
 2. Based on 2022 New Software Business Markets by Fuji Chimera Research Institute
 3. Based on Latest Trends in Business Card Management Services in Sales Support DX 2023 (December 2022, survey by Seed Planning, in Japanese)
 4. Deloitte Tohmatsu MIC Research Institute, “The Present and Future of the Market of Online Invoice Receiving Solution Expected to Grow at a Staggering Rate” (MIC IT Report, July 2022)

5. Although operating profit was presented previously, from the first quarter of the current fiscal year, adjusted operating profit, which is the sum of operating profit plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), is presented instead, because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and expenses that arise from business combinations. Adjusted operating profit is also presented for the fiscal year ended May 31, 2022. In addition, expenses related to the monetary compensation and payment of alternative wages, etc. to employees, etc. of the Group pertaining to trust-type stock options are included in share-based payment expenses.

Results by segment are as follows.

(i) Sansan/Bill One Business

This business segment includes services such as sales DX solution Sansan, and cloud-based invoice management solution Bill One.

Results for Sansan/Bill One Business in the fiscal year under review are as follows.

| (Millions of yen) | | | |
|--|-----------------------------------|-----------------------------------|------------|
| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 | YoY change |
| Net sales (Note 6) | 18,105 | 22,516 | +24.4% |
| Sansan | 17,214 | 19,793 | +15.0% |
| Sansan recurring sales | 16,349 | 18,688 | +14.3% |
| Sansan other sales | 865 | 1,104 | +27.7% |
| Bill One | 826 | 2,414 | +192.2% |
| Others | 64 | 308 | +379.7% |
| Adjusted operating profit | 5,752 | 7,005 | +21.8% |
| Sansan | | | |
| Number of subscriptions | 8,488 subscriptions | 8,969 subscriptions | +5.7% |
| Monthly recurring sales per subscription | ¥170 thousand | ¥184 thousand | +8.2% |
| Last 12 months average of monthly churn rate (Note 7) | 0.62% | 0.44% | (0.18) pt. |
| Bill One | | | |
| MRR (Note 8) | 116 | 316 | +172.8% |
| Number of paid subscriptions (Note 9) | 776 subscriptions | 1,581 subscriptions | +103.7% |
| Monthly recurring sales per paid subscription (Note 9) | ¥149 thousand | ¥200 thousand | +34.2% |
| Last 12 months average of monthly churn rate (Note 7) | 0.49% | 0.64% | +0.15 pt. |

Notes: 6. The sum of sales to external customers and intersegment sales or transfers

7. Ratio of decrease in monthly fees associated with subscription cancellations to total monthly fees for existing subscriptions for each service

8. Monthly Recurring Revenue, changed value for the fiscal year ended May 31, 2022 due to revision of calculation method

9. Changed value for the fiscal year ended May 31, 2022 due to the revision of the timing of collecting the data from the conclusion of the contract to the start of the service usage

a. Sansan

To further expand the number of Sansan subscriptions and the monthly recurring sales per subscription, the Group remodeled the product Sansan, a B2B business card-based contact management service, and worked to add new functions based on the concept of “The database to power your sales” to create Sansan, a sales DX solution. Specifically, in the first quarter of the current fiscal year, apart from allowing users to view over 1 million items of company information on Sansan, the Group installed functions able to store and visualize contact information not only from business cards but also email signatures, etc. By combining this contact information with corporate information, users of Sansan can build custom databases that also include information for companies with which they have no current contacts. The Group also worked on adding a function whereby emails with customers are automatically stored in Sansan. Backed by these new functions, the Group focused on enhancing its sales capabilities and its sales structure for medium and large enterprises, aiming to acquire new users and to upsell existing users.

As a result of these, the number of subscriptions and the monthly recurring sales per subscription for Sansan were up 5.7% year on year to 8,969 and 8.2% year on year, respectively. Furthermore, the last 12 months average of monthly churn rate was 0.44%, a decrease of 0.18 points year on year, maintaining a low churn rate of less than 1%.

As a result, net sales in Sansan increased 15.0% year on year, of which recurring sales (fixed revenue) was up 14.3% year on year and other sales was up 27.7% year on year.

b. Bill One

Because of efforts such as strengthening the sales structure through measures including personnel hiring and enhancing service functions for continued high growth of Bill One, in May 2023, MRR was up 172.8% year on year and ARR (Note 10) was ¥3,798 million. In addition, steady progress in acquiring new subscriptions mainly from medium and large enterprises resulted in the increase of number of paid subscriptions, up 103.7% year on year, and the increase of monthly recurring sales per paid subscription, up 34.2% year on year. Furthermore, the last 12 months average of monthly churn rate was 0.64%, an increase of 0.15 points year on year, maintaining a low churn rate of less than 1%.

As a result, net sales in Bill One increased 192.2% year on year. Also, in June 2023, the Group launched Bill One Business Card, a business card option for the Bill One service.

Notes: 10. Annual Recurring Revenue

c. Others

The Group focused on the launch of Contract One, a contract DX solution, etc., utilizing the strengths, knowledge, know-how, etc. cultivated through existing services. Also, CREATIVE SURVEY INC. became a consolidated subsidiary in March 2023 and its contributions to consolidated earnings started to be recorded from the fourth quarter under review.

As a result, net sales of others was up 379.7% year on year.

As a result of these efforts, net sales increased 24.4% year on year and adjusted operating profit increased 21.8% year on year in Sansan/Bill One Business.

(ii) Eight Business

This business segment includes Eight as well as the event transcription service logmi series.

Results for Eight Business in the fiscal year under review are as follows.

| (Millions of yen) | | | |
|--|-----------------------------------|-----------------------------------|-------------------------|
| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 | YoY change |
| Net sales (Note 11) | 2,213 | 2,867 | +29.5% |
| B2C services | 286 | 303 | +6.0% |
| B2B services | 1,927 | 2,563 | +33.0% |
| Adjusted operating profit | (355) | (170) | - |
| Eight | | | |
| Number of Eight users (Note 12) | 3.10 million people | 3.31 million people | +0.20 million people |
| Number of subscriptions for Eight Team | 2,819 subscriptions | 3,703 subscriptions | +31.4% |

Notes: 11. The sum of sales to external customers and intersegment sales or transfers

12. Number of confirmed users who registered their business card to their profile after downloading the app

a. B2C services

In light of the normalization of business due to the ending of the COVID-19 pandemic, the number of Eight users totaled 3.31 million, a steady increase of 0.20 million year on year, and net sales from B2C services increased 6.0% year on year.

b. B2B services

In addition to holding a major business event, etc., the Group worked on monetization of the various B2B services. As a result, the number of Eight Team subscriptions increased 31.4% year on year, and net sales from B2B services increased 33.0% year on year.

As a result of these efforts, net sales in Eight Business increased 29.5% year on year, and adjusted operating loss was curtailed by ¥185 million year on year.

(2) Review of financial position

| | (Millions of yen) | | |
|----------------------------------|--------------------|--------------------|--|
| | As of May 31, 2022 | As of May 31, 2023 | Change from previous fiscal year-end |
| Total assets | 26,292 | 31,200 | 4,907 |
| Total liabilities | 14,199 | 18,009 | 3,810 |
| Total net assets | 12,093 | 13,190 | 1,097 |
| Total liabilities and net assets | 26,292 | 31,200 | 4,907 |

Assets

Total assets at the end of the fiscal year under review were ¥31,200 million, up ¥4,907 million from the end of the previous fiscal year. This was primarily due to an increase of ¥5,682 million in cash and deposits, an increase of ¥423 million in accounts receivable - trade, an increase of ¥476 million in goodwill, and a decrease of ¥2,557 million from sale of investment securities.

Liabilities

Total liabilities at the end of the fiscal year under review were ¥18,009 million, up ¥3,810 million from the end of the previous fiscal year. This was primarily due to an increase of ¥847 million in accounts payable - other, an increase of ¥291 million in new long-term borrowings, an increase of ¥113 million in provision for bonuses, and an increase of ¥2,530 million in advances received from receiving a lump-sum payment of contract term fees from customers.

Net assets

Net assets at the end of the fiscal year under review were ¥13,190 million, up ¥1,097 million from the end of the previous fiscal year. This was primarily due to the recording of share acquisition rights of ¥314 million, increases of ¥155 million each in share capital and capital surplus as a result of exercise of share acquisition rights, and an increase of ¥310 million in change in scope of equity method and retained earnings due to the recording of profit attributable to owners of parent.

(3) Overview of cash flows

| | (Millions of yen) | | |
|--|-----------------------------------|-----------------------------------|------------|
| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 | YoY change |
| Cash flows from operating activities | 3,123 | 3,848 | 724 |
| Cash flows from investing activities | (1,014) | 1,364 | 2,379 |
| Cash flows from financing activities | 909 | 523 | (386) |
| Cash and cash equivalents at end of period | 15,245 | 20,985 | 5,739 |

Cash and cash equivalents (hereinafter “capital”) at the end of the fiscal year under review totaled ¥20,985 million, an increase of ¥5,739 million compared to the previous fiscal year (up 37.7% year on year). This increase includes the effect of ¥4 million due to exchange fluctuations on capital.

The respective cash flow positions and the factors thereof in the fiscal year under review are as follows.

Cash flows from operating activities

The amount of capital provided by operating activities totaled ¥3,848 million (¥3,123 million provided in the previous fiscal year).

The main reasons for the increase in capital were an increase in advances received of ¥2,423 million, and an increase in accrued expenses of ¥780 million, recognition of depreciation, non-cash expense of ¥898 million, recognition of share-based payment expenses of ¥296 million, recognition of share of loss of entities accounted for using equity method of ¥287 million, recognition of loss on valuation of investment securities of 980 million, and the main factors for the decrease in capital were recognition of gain on sale of shares of subsidiaries and associates of ¥619 million, recognition of gain on sale of investment securities of ¥291 million, an increase in trade receivables of ¥391 million and income taxes paid of ¥471 million.

Cash flows from investing activities

The amount of capital provided by investing activities totaled ¥1,364 million (¥1,014 million used in the previous fiscal year).

This was primarily due to proceeds from sale of investment securities of ¥1,406 million, proceeds from sale of shares of subsidiaries and associates of ¥1,601 million, purchase of investment securities of ¥359 million, purchase of intangible assets of ¥480 million, purchase of property, plant and equipment of ¥200 million, and payments for investments in capital of ¥500 million.

Cash flows from financing activities

The amount of capital provided by financing activities totaled ¥523 million (¥909 million provided in the previous fiscal year).

This was primarily due to proceeds from long-term borrowings of ¥900 million, proceeds from issuance of shares of ¥307 million, a net decline in short-term borrowings of ¥140 million and repayments of long-term borrowings of ¥527 million.

(4) Future outlook

As the medium-term targets from the fiscal year ended May 31, 2023 to the fiscal year ending May 31, 2025, the Company is aiming for growth in both net sales and profit.

First, for consolidated net sales, which is the most important management indicator, we upwardly revised the net sales growth rate from the “20%+ range or higher,” which was set forth at the beginning of the fiscal year ended May 31, 2023, to the “mid-20%+ range or higher” against the backdrop of strong business growth recently, and we aim for continuous solid growth. Next, as a profit indicator that is emphasized, the Company is using adjusted operating profit (Note 13), which excludes share-based payment expenses and expenses arising from business combinations, and the Company is aiming to improve adjusted operating profit margin in each accounting period while making the necessary investments for net sales growth in each business. For realizing an improvement in profit margin, the Company is aiming to record adjusted operating profit of ¥10 billion or more in total for the Sansan and Bill One services (Note 14) for the fiscal year ending May 31, 2025 and record stable adjusted operating profit over the full year in Eight Business.

Note: 13. Adjusted operating profit: operating profit + share-based payment expenses + expenses arising from business combinations (amortization of goodwill and amortization of intangible assets)

14. Total for “Sansan” and “Bill One” in Sansan/Bill One Business, excluding the “Others” category

Consolidated earnings forecasts for the fiscal year ending May 31, 2024 are as follows.

| | (Millions of yen) | | |
|----------------------------------|-----------------------------------|------------------------------------|----------------------------|
| | Fiscal year ended May 31, 2023 | Fiscal year ending May 31, 2024 | YoY change |
| Net sales | 25,510 | 32,653 to 33,674 | +28.0% to +32.0% |
| Sansan/Bill One Business | 22,516 | 29,046 to 29,835 | +29.0% to +32.5% |
| Sansan | 19,793 | 22,664 to 22,861 | +14.5% to +15.5% |
| Bill One | 2,414 | 5,673 to 6,156 | +135.0% to +155.0% |
| Eight Business | 2,867 | 3,153 to 3,354 | +10.0% to +17.0% |
| Adjusted operating profit | 942 | 1,240 to 1,852 | +31.7% to +96.6% |
| Adjusted operating profit margin | 3.7% | 3.8% to 5.5% | +0.1 pt. to +1.8 pt. |

Consolidated net sales are expected to increase 28.0% to 32.0% year on year due to the solid growth of Sansan products and the expected continued high growth of Bill One. We aim to increase net sales in Sansan/Bill One Business by 29.0% to 32.5% year on year by strengthening the sales structure and enhancing functions for the realization of maximizing net sales for both Sansan and Bill One. Within this increase, we plan for Sansan to see a 14.5% to 15.5% increase year on year, and Bill One to see a 135.0% to 155.0% increase year on year. The Eight Business is expected to increase 10.0% to 17.0% year on year due to factors such as the strengthening of favorable event services, despite the net sales growth rate slowing down from the previous fiscal year as the basic policy is to operate businesses that focus on improving profitability.

Although selling, general and administrative expenses are expected to increase as a result of making investments for growth, the solid growth of net sales is expected to increase adjusted operating profit by 31.7% to 96.6% year on year, and adjusted operating profit margin is expected to increase 0.1 points to 1.8 points. In addition, as the main expenses in selling, general and administrative expenses, personnel expenses are expected to increase approximately 30.0% year on year and advertising expenses are expected to increase approximately 26.0% year on year.

For multi-step profit or loss under operating profit or loss, the Company refrains from disclosing a concrete forecast because it is difficult to make a reasonable estimate of share-based payment expenses, which may vary significantly depending on the level of the Company's stock price, and some non-operating income or expenses.

2. Basic concept regarding selection of accounting standards

In consideration of comparability with other companies in Japan, the Group applies Japanese accounting standard.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

| | As of May 31, 2022 | As of May 31, 2023 |
|--|--------------------|--------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 15,432 | 21,114 |
| Accounts receivable - trade | 756 | 1,180 |
| Prepaid expenses | 478 | 604 |
| Other | 194 | 341 |
| Allowance for doubtful accounts | (3) | (32) |
| Total current assets | 16,856 | 23,207 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,227 | 1,281 |
| Accumulated depreciation | (582) | (717) |
| Buildings and structures, net | 645 | 564 |
| Other | 339 | 446 |
| Accumulated depreciation | (178) | (240) |
| Other, net | 161 | 206 |
| Total property, plant and equipment | 806 | 770 |
| Intangible assets | | |
| Software | 917 | 827 |
| Goodwill | 229 | 706 |
| Other | 0 | 0 |
| Total intangible assets | 1,147 | 1,533 |
| Investments and other assets | | |
| Investment securities | 6,262 | 3,705 |
| Leasehold deposits | 793 | 885 |
| Deferred tax assets | 416 | 595 |
| Other | 10 | 502 |
| Total investments and other assets | 7,481 | 5,689 |
| Total non-current assets | 9,435 | 7,993 |
| Total assets | 26,292 | 31,200 |

(Millions of yen)

| | As of May 31, 2022 | As of May 31, 2023 |
|---|--------------------|--------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 253 | 338 |
| Current portion of long-term borrowings | 477 | 558 |
| Accounts payable - other | 1,081 | 1,929 |
| Income taxes payable | 380 | 206 |
| Accrued consumption taxes | 398 | 410 |
| Advances received | 8,199 | 10,729 |
| Provision for bonuses | 487 | 601 |
| Other | 229 | 207 |
| Total current liabilities | 11,507 | 14,982 |
| Non-current liabilities | | |
| Long-term borrowings | 2,547 | 2,838 |
| Other | 144 | 188 |
| Total non-current liabilities | 2,691 | 3,027 |
| Total liabilities | 14,199 | 18,009 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 6,426 | 6,582 |
| Capital surplus | 4,023 | 4,178 |
| Retained earnings | 1,384 | 1,695 |
| Treasury shares | (1) | (2) |
| Total shareholders' equity | 11,832 | 12,454 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 85 | 156 |
| Foreign currency translation adjustment | 26 | 49 |
| Total accumulated other comprehensive income | 112 | 206 |
| Share acquisition rights | 142 | 457 |
| Non-controlling interests | 5 | 72 |
| Total net assets | 12,093 | 13,190 |
| Total liabilities and net assets | 26,292 | 31,200 |

(2) Consolidated statement of income and consolidated statement of comprehensive income
Consolidated statement of income

(Millions of yen)

| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 |
|---|-----------------------------------|-----------------------------------|
| Net sales | 20,420 | 25,510 |
| Cost of sales | 2,515 | 3,683 |
| Gross profit | 17,904 | 21,827 |
| Selling, general and administrative expenses | 17,272 | 21,627 |
| Operating profit | 631 | 199 |
| Non-operating income | | |
| Interest income | 0 | 4 |
| Dividend income | 33 | – |
| Subsidy income | 1 | 14 |
| Cancellation penalty income | – | – |
| Gain on sale of investment securities | 979 | 291 |
| Other | 26 | 18 |
| Total non-operating income | 1,042 | 328 |
| Non-operating expenses | | |
| Interest expenses | 10 | 13 |
| Commission expenses | 7 | 7 |
| Foreign exchange losses | 9 | 18 |
| Loss on investments in investment partnerships | 20 | 38 |
| Share of loss of entities accounted for using equity method | 609 | 287 |
| Other | 47 | 39 |
| Total non-operating expenses | 705 | 405 |
| Ordinary profit | 968 | 122 |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 0 | 0 |
| Gain on sale of shares of subsidiaries and associates | – | 619 |
| Gain on change in equity | 105 | – |
| Gain on step acquisitions | – | 196 |
| Total extraordinary income | 105 | 817 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 16 | 54 |
| Loss on valuation of investment securities | 140 | 980 |
| Impairment losses | 9 | – |
| Total extraordinary losses | 165 | 1,035 |
| Profit (loss) before income taxes | 908 | (96) |
| Income taxes - current | 353 | 264 |
| Income taxes - deferred | (296) | (203) |
| Total income taxes | 56 | 60 |
| Profit (loss) | 852 | (156) |
| Loss attributable to non-controlling interests | (5) | (15) |
| Profit (loss) attributable to owners of parent | 857 | (141) |

Consolidated statement of comprehensive income

(Millions of yen)

| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 |
|--|-----------------------------------|-----------------------------------|
| Profit | 852 | (156) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,536) | 70 |
| Foreign currency translation adjustment | 25 | 22 |
| Total other comprehensive income | (1,510) | 93 |
| Comprehensive income | (658) | (63) |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | (652) | (48) |
| Comprehensive income attributable to non-controlling interests | (5) | (15) |

(3) Consolidated statement of changes in equity

Fiscal year ended May 31, 2022

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,312 | 4,053 | 526 | (0) | 10,892 |
| Changes during period | | | | | |
| Issuance of new shares | 113 | 113 | – | – | 226 |
| Purchase of treasury shares | – | – | – | (1) | (1) |
| Purchase of shares of consolidated subsidiaries | – | (143) | – | – | (143) |
| Profit (loss) attributable to owners of parent | – | – | 857 | – | 857 |
| Net changes in items other than shareholders' equity | – | – | – | – | – |
| Total changes during period | 113 | (30) | 857 | (1) | 939 |
| Balance at end of period | 6,426 | 4,023 | 1,384 | (1) | 11,832 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 1,622 | 1 | 1,623 | 65 | 2 | 12,584 |
| Changes during period | | | | | | |
| Issuance of new shares | – | – | – | – | – | 226 |
| Purchase of treasury shares | – | – | – | – | – | (1) |
| Purchase of shares of consolidated subsidiaries | – | – | – | – | – | (143) |
| Profit (loss) attributable to owners of parent | – | – | – | – | – | 857 |
| Net changes in items other than shareholders' equity | (1,536) | 25 | (1,510) | 76 | 3 | (1,430) |
| Total changes during period | (1,536) | 25 | (1,510) | 76 | 3 | (491) |
| Balance at end of period | 85 | 26 | 112 | 142 | 5 | 12,093 |

Fiscal year ended May 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 6,426 | 4,023 | 1,384 | (1) | 11,832 |
| Changes during period | | | | | |
| Issuance of new shares | 155 | 155 | – | – | 311 |
| Purchase of treasury shares | – | – | – | (0) | (0) |
| Change in scope of equity method | – | – | 452 | – | 452 |
| Profit (loss) attributable to owners of parent | – | – | (141) | – | (141) |
| Net changes in items other than shareholders' equity | – | – | – | – | – |
| Total changes during period | 155 | 155 | 310 | (0) | 622 |
| Balance at end of period | 6,582 | 4,178 | 1,695 | (2) | 12,454 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|--|---|---|--|--------------------------|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance at beginning of period | 85 | 26 | 112 | 142 | 5 | 12,093 |
| Changes during period | | | | | | |
| Issuance of new shares | – | – | – | – | – | 311 |
| Purchase of treasury shares | – | – | – | – | – | (0) |
| Change in scope of equity method | – | – | – | – | – | 452 |
| Profit (loss) attributable to owners of parent | – | – | – | – | – | (141) |
| Net changes in items other than shareholders' equity | 70 | 22 | 93 | 314 | 66 | 474 |
| Total changes during period | 70 | 22 | 93 | 314 | 66 | 1,097 |
| Balance at end of period | 156 | 49 | 206 | 457 | 72 | 13,190 |

(4) Consolidated statement of cash flows

(Millions of yen)

| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | 908 | (96) |
| Depreciation | 768 | 898 |
| Amortization of goodwill | 25 | 39 |
| Impairment losses | 9 | - |
| Loss (gain) on sale and retirement of non-current assets | 16 | 54 |
| Share-based payment expenses | 72 | 296 |
| Gain on reversal of share acquisition rights | (0) | (0) |
| Loss (gain) on sale of shares of subsidiaries and associates | - | (619) |
| Loss (gain) on sale of investment securities | (979) | (291) |
| Loss (gain) on valuation of investment securities | 140 | 980 |
| Loss (gain) on investments in investment partnerships | 20 | 38 |
| Share of loss (profit) of entities accounted for using equity method | 609 | 287 |
| Loss (gain) on change in equity | (105) | - |
| Loss (gain) on step acquisitions | - | (196) |
| Increase (decrease) in allowance for doubtful accounts | (1) | 29 |
| Increase (decrease) in provision for bonuses | 127 | 113 |
| Interest and dividend income | (34) | (4) |
| Interest expenses | 10 | 13 |
| Commission expenses | 0 | - |
| Decrease (increase) in trade receivables | (183) | (391) |
| Decrease (increase) in prepaid expenses | 12 | (101) |
| Decrease (increase) in other assets | (76) | (118) |
| Increase (decrease) in trade payables | 57 | 71 |
| Increase (decrease) in accounts payable - other | (90) | 780 |
| Increase (decrease) in advances received | 1,479 | 2,423 |
| Increase (decrease) in accrued consumption taxes | 131 | 15 |
| Increase (decrease) in other liabilities | 237 | (6) |
| Other, net | 92 | 111 |
| Subtotal | 3,250 | 4,328 |
| Interest and dividends received | 34 | 4 |
| Interest paid | (16) | (13) |
| Income taxes paid | (144) | (471) |
| Net cash provided by (used in) operating activities | 3,123 | 3,848 |

(Millions of yen)

| | Fiscal year ended May 31, 2022 | Fiscal year ended May 31, 2023 |
|--|-----------------------------------|-----------------------------------|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (468) | (200) |
| Purchase of intangible assets | (453) | (480) |
| Purchase of investment securities | (2,555) | (359) |
| Proceeds from sale of investment securities | 3,224 | 1,406 |
| Purchase of shares of subsidiaries and associates | (500) | – |
| Proceeds from sale of shares of subsidiaries and associates | – | 1,601 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (61) | 46 |
| Payments for investments in capital | – | (500) |
| Payments of leasehold deposits | (202) | (214) |
| Other, net | 2 | (64) |
| Net cash provided by (used in) investing activities | (1,014) | 1,364 |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (200) | (140) |
| Proceeds from long-term borrowings | 3,250 | 900 |
| Repayments of long-term borrowings | (2,190) | (527) |
| Proceeds from issuance of shares | 209 | 307 |
| Proceeds from issuance of share acquisition rights | 21 | 22 |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation | (143) | – |
| Other, net | (37) | (39) |
| Net cash provided by (used in) financing activities | 909 | 523 |
| Effect of exchange rate change on cash and cash equivalents | 3 | 4 |
| Net increase (decrease) in cash and cash equivalents | 3,021 | 5,739 |
| Cash and cash equivalents at beginning of period | 12,223 | 15,245 |
| Cash and cash equivalents at end of period | 15,245 | 20,985 |

(5) Notes to consolidated financial statements

Notes on premise of going concern

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Changes in accounting policies

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) effective from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Implementation Guidance on Accounting Standard for Fair Value Measurement, prospectively in accordance with the transitional measures provided for in paragraph 27(2) of the Implementation Guidance on Accounting Standard for Fair Value Measurement. This application has no effect on the consolidated financial statements for the current fiscal year.

In addition, in accordance with paragraph 27(3) of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Company has not presented notes to investment trusts on items for the previous fiscal year, such as the breakdown of the fair value of financial instruments by level in the notes of "Financial Instruments."

Additional information

Accounting estimates associated with the spread of COVID-19

Regarding the impact of COVID-19, it is difficult to accurately predict when the pandemic will finally end, etc. As a result, accounting estimates, such as the recoverability of deferred tax assets, were made for the next fiscal year based on the assumption that a certain economic impact will continue until the end of the fiscal year ending May 31, 2024.

Segment information

a. Segment information

1. Description of reportable segments

The reportable segments used by the Group are components for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors, in particular, to make decisions about resources to be allocated to the segments and assess their performance.

In the operation of its business activities, the Group has established business divisions and companies to engage in specific services, and it formulates comprehensive strategies for the services that each business division and company provides.

Accordingly, the Group's operations are made up of segments engaged in specific services under the basic operating structures of business divisions or companies, and it has two reportable segments of the "Sansan/Bill One Business" and the "Eight Business."

Descriptions of the services belonging to each segment are stated below.

| Reportable segments | Description of services in segment |
|--------------------------|--|
| Sansan/Bill One Business | Provision of “Sansan,” a service for sales DX, “Bill One,” a cloud-based invoice management solution, etc. |
| Eight Business | Provision of “Eight,” as well as the event transcription service logmi series |

2. Methods of calculating the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting method used for operating segments reported is the same as the description in “Matters forming the basis of preparing the consolidated financial statements.”

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items for each reportable segment

Fiscal year ended May 31, 2022

(Millions of yen)

| | Reportable segments | | | Others (Note) 1 | Total |
|-----------------------------------|---------------------------------|-------------------|--------|--------------------|--------|
| | Sansan/ Bill One Business | Eight Business | Total | | |
| Net sales | | | | | |
| Sales to external customers | 18,104 | 2,204 | 20,309 | 111 | 20,420 |
| Intersegment sales or transfers | 1 | 9 | 10 | 15 | 25 |
| Total | 18,105 | 2,213 | 20,319 | 126 | 20,446 |
| Segment profit (loss) (Note) 2 | 5,752 | (355) | 5,397 | (22) | 5,374 |
| Other items | | | | | |
| Depreciation | 507 | 18 | 525 | 0 | 525 |

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.
2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

| | Sansan/ Bill One Business | Eight Business | Others | Adjustments (Note) | Amount recorded in consolidated statement of income |
|--|---------------------------------|-------------------|--------|-----------------------|---|
| Segment profit (loss) | 5,752 | (355) | (22) | (4,643) | 730 |
| Share-based payment expenses | 27 | 10 | – | 34 | 72 |
| Amortization of goodwill and amortization of intangible assets | – | 20 | 5 | – | 25 |
| Operating profit (loss) | 5,725 | (386) | (28) | (4,678) | 631 |

Note: The adjustments stated are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses. Depreciation included in adjustments as corporate expenses is ¥242 million.

3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.
4. Intersegment sales or transfers are based on actual market price.

Fiscal year ended May 31, 2023

(Millions of yen)

| | Reportable segments | | | Others (Note) 1 | Total |
|-----------------------------------|---------------------------------|-------------------|--------|--------------------|--------|
| | Sansan/ Bill One Business | Eight Business | Total | | |
| Net sales | | | | | |
| Sales to external customers | 22,512 | 2,864 | 25,376 | 134 | 25,510 |
| Intersegment sales or transfers | 4 | 2 | 7 | 64 | 72 |
| Total | 22,516 | 2,867 | 25,384 | 198 | 25,582 |
| Segment profit (loss) (Note) 2 | 7,005 | (170) | 6,835 | (36) | 6,798 |
| Other items | | | | | |
| Depreciation | 523 | 15 | 538 | 0 | 538 |

- Notes: 1. The “Others” category is a business segment that is not included in the reportable segments, and includes subsidiaries’ businesses.
2. Segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets).

(Millions of yen)

| | Sansan/ Bill One Business | Eight Business | Others | Adjustments (Note)1 | Amount recorded in consolidated statement of income |
|--|---------------------------------|-------------------|--------|------------------------|---|
| Segment profit (loss) | 7,005 | (170) | (36) | (5,856) | 942 |
| Share-based payment expenses (Note) 2 | 315 | 136 | – | 251 | 702 |
| Amortization of goodwill and amortization of intangible assets | 12 | 20 | 7 | – | 39 |
| Operating profit (loss) | 6,677 | (326) | (43) | (6,107) | 199 |

- Notes: 1. The adjustments stated are the amounts of corporate expenses not attributable to any reportable segment and mostly consist of general and administrative expenses. Depreciation included in adjustments as corporate expenses is ¥359 million.
2. Expenses related to the monetary compensation and payment of alternative wages, etc. to employees, etc. of the Group pertaining to trust-based stock options are included in share-based payment expenses.
3. Segment assets and liabilities have not been shown, as information relating to assets and liabilities are not regularly provided to the chief operating decision maker and are not subject to the assessment of performance.
4. Intersegment sales or transfers are based on actual market price.

4. Matters regarding changes in reportable segments

(Change in the method of measurement of profit (loss) of reportable segments)

Previously, segment profit (loss) was shown as operating profit (loss). However, from the first quarter of the current fiscal year, this was changed so that segment profit (loss) is shown as adjusted operating profit (loss), which is the sum of operating profit (loss) plus share-based payment expenses and expenses arising from business combinations (amortization of goodwill and amortization of intangible assets), because the performance indicator used for management purposes was changed to an indicator that shows the regular capacity to generate corporate earnings after deducting expenses related to share-based payments, which may vary

significantly depending on the level of the Company's stock price, and expenses that arise from business combinations.

Segment profit (loss) for the previous fiscal year is also shown with the adjusted operating profit (loss) after the change.

b. Information associated with reportable segments

1. Information for each product or service

This information is omitted because the same information has been presented in Segment information.

2. Information for each region

(1) Net sales

This has been omitted because net sales to external Japanese customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

This has been omitted because the value of property, plant and equipment in Japan accounts for more than 90% of the value of property, plant and equipment on the consolidated balance sheet.

3. Information for each of main customers

This has been omitted because there is no external customer that accounts for 10% or more of net sales recorded on the consolidated statement of income.

c. Disclosure of impairment losses on non-current assets for each reportable segment

Fiscal year ended May 31, 2022

Impairment losses of ¥9 million for corporate expenses not belonging to any reportable segment were recorded.

Fiscal year ended May 31, 2023

Not applicable.

d. Amortization and unamortized balance of goodwill for each reportable segment

Fiscal year ended May 31, 2022

(Millions of yen)

| | Sansan/Bill One Business | Eight Business | Corporate and eliminations | Total |
|-----------------------------|-----------------------------|----------------|-------------------------------|-------|
| Amortization of goodwill | – | 20 | 5 | 25 |
| Goodwill | – | 165 | 64 | 229 |

Fiscal year ended May 31, 2023

(Millions of yen)

| | Sansan/Bill One Business | Eight Business | Corporate and eliminations | Total |
|-----------------------------|-----------------------------|----------------|-------------------------------|-------|
| Amortization of goodwill | 12 | 20 | 7 | 39 |
| Goodwill | 503 | 145 | 57 | 706 |

e. Information about gain on bargain purchase for each reportable segment

Not applicable.

Per share information

(Yen)

| | Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022) | Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023) |
|---------------------------------|---|---|
| Net assets per share | 96.78 | 105.18 |
| Basic earnings (loss) per share | 6.87 | (1.13) |
| Diluted earnings per share | 6.77 | — |

Notes: 1. The Company implemented a stock split of common shares at a ratio of 4-for-1 on December 1, 2021. Therefore, net assets per share, basic earnings per share and diluted earnings per share are calculated on the assumption that said splitting of shares had been made at the beginning of the previous fiscal year.

2. Diluted earnings per share for the fiscal year ended May 31, 2023 are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.

3. Basis for calculation of basic earnings per share and diluted earnings per share is as follows:

| | Fiscal year ended May 31, 2022 (from June 1, 2021 to May 31, 2022) | Fiscal year ended May 31, 2023 (from June 1, 2022 to May 31, 2023) |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (Millions of yen) | 857 | (141) |
| Amounts not attributable to common shareholders (Millions of yen) | — | — |
| Profit attributable to owners of parent related to common shares (Millions of yen) | 857 | (141) |
| Average number of common shares outstanding during the period (Shares) | 124,841,631 | 125,162,268 |
| Diluted earnings per share | | |
| Adjustments stated for profit attributable to owners of parent (Millions of yen) | — | — |
| Increase in number of common shares (Shares) | 1,896,164 | — |
| [Of which share acquisition rights] (Shares) | [1,896,164] | — |
| Overview of dilutive shares that are not included in the calculation of diluted earnings per share as they have no dilutive effects | Stock options 2021 (the 6th share acquisition rights) 200 units (80,000 shares) | — |

Significant events after reporting period

(Business combination through acquisition)

The Company resolved at a meeting of the Board of Directors held on May 23, 2023 to acquire shares of Institute of Language Understanding Inc., making it a consolidated subsidiary, and completed the procedures to acquire the shares on June 20, 2023 in accordance with that resolution.

Outline of business combination

- (1) Name of the acquired company and details of the acquired business

| | |
|--------------------------|--|
| Company name: | Institute of Language Understanding Inc. |
| Description of business: | A business utilizing large-scale language knowledge to provide business efficiency and create high added value |

- (2) Main reason of the business combination

The aim of this business combination is to strengthen the Company's research development capabilities related to natural language processing as the knowledge databases and language-understanding engines owned by Institute of Language Understanding Inc. are fields that promise to provide synergy with OCR, which is one of the Company's core technologies, natural language processing, etc.

- (3) Date of the business combination

June 1, 2023 (deemed acquisition date)

- (4) Legal form of the business combination

Acquisition of shares

- (5) Name of entity after the business combination

Unchanged.

- (6) Percentage of voting rights acquired

65.75%

- (7) Main basis for determining acquiring company

The Company acquired the shares in consideration for cash.

- (8) Acquisition cost of acquiree and components thereof by consideration type

| | |
|---------------------------------------|--------------|
| Acquisition price (cash and deposits) | ¥500 million |
| Acquisition cost | ¥500 million |

- (9) Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Not confirmed at this stage.

- (10) Details and amounts of main acquisition-related costs

Not confirmed at this stage.

- (11) Amount of goodwill, reason for recognition, amortization method and amortization period

Not confirmed at this stage.

- (12) Amount and breakdown of assets acquired and liabilities assumed as of the date of the business combination

Not confirmed at this stage.

Issuance of the 10th share acquisition rights

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 10th Share Acquisition Rights to employees of the Company and employee of the Company's subsidiary in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

10th Share Acquisition Rights

| | |
|--|---|
| Number of share acquisition rights | 1,243units |
| Class and number of shares to be acquired upon exercise of the share acquisition rights | Common shares of the Company, 124,300 shares (100 shares per one unit acquisition right) |
| Exercise price of share acquisition rights | ¥155,250 per one unit acquisition right |
| Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights | Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share |
| Allotment date of share acquisition rights | August 7, 2023 |
| Persons subject to allotment of share acquisition rights | 57 employees of the Company |
| Exercise period of share acquisition rights | From July 14, 2025 to July 13, 2033 |
| Exercise conditions of share acquisition rights | * |

- * 1. Persons who have received an allotment of the share acquisition rights (the "Share Acquisition Rights Holder") may exercise their share acquisition rights if the closing price of the Company's common share in regular trading on the Tokyo Stock Exchange on a specific day during the period from the allotment date of the share acquisition rights to the end of the period of exercise of the rights (July 13, 2033) exceeds the ¥3,987.
However, in the event of a share split or reverse share split after the date of allotment, the share price shall be adjusted according to the following formula (fractions of a yen shall be rounded up to the nearest yen).
- $$\text{Share price after adjustment} = \text{Share price before adjustment} \times \frac{1}{\text{Split (or Reverse split) ratio}}$$
2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be recognized.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company's issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.

Issuance of the 11th share acquisition rights (compensatory stock options)

At the meeting of the Board of Directors held on July 13, 2023, the Company resolved to issue the 11th Share Acquisition Rights to Directors and Executive Officers of the Company in accordance with the provisions of Articles 236, 238, and 240 of the Companies Act.

11th Share Acquisition Rights

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|--|---|
| Number of share acquisition rights | 1,420 units |
| Class and number of shares to be acquired upon exercise of the share acquisition rights | Common shares of the Company, 142,000 shares (100 shares per one unit acquisition right) |
| Issuance price of share acquisition rights | ¥14,000 per one unit acquisition right |
| Exercise price of share acquisition rights | ¥155,250 per one unit acquisition right |
| Issuance price and additional paid-in capital in the event of issuance of shares upon exercise of share acquisition rights | Issuance price: ¥1,552.5 per one share Additional paid-in capital: ¥777 per one share |
| Allotment date of share acquisition rights | September 13, 2023 |
| Persons subject to allotment of share acquisition rights | 5 Directors of the Company 11 Executive Officers of the Company |
| Exercise period of share acquisition rights | From September 13, 2024 to September 12, 2033 |
| Exercise conditions of share acquisition rights | * |

- * 1. Persons who have received an allotment of the share acquisition rights (the “Share Acquisition Rights Holder”) may exercise their share acquisition rights only if the amount of net sales in the Company’s consolidated statement of income for the fiscal year ending May 31, 2024 has exceeded ¥33,164 million. In determining the net sales amount, there are events, such as changes in the applicable accounting standards and the acquisitions of companies, which can have a major impact on the business results of the Company. In the event that the Board of Directors determines that it is not appropriate to make a judgment based on actual figures, the Company will eliminate the effect of the acquisition of a company, etc. within a reasonable range, and it shall be deemed possible to adjust the actual figures used for judgment. In addition, in the event of significant changes in the concept of items to be referred to, due to the application of international financial reporting standards, changes in the fiscal year end, etc., the indicators to be referred to shall be determined by the Company’s Board of Directors.
2. The Share Acquisition Rights Holders are required to have a position in the Company or a subsidiary and associate of the Company as Director, Audit & Supervisory Board Member or employee at the time of exercising the share acquisition rights. However, this shall not apply in the event of resignation due to the expiration of the term of office, mandatory retirement, or when a justifiable reason is acknowledged at a meeting of the Board of Directors.
3. In the event the Share Acquisition Rights Holder dies, inheritance shall not be recognized.
4. Pledging of share acquisition rights, or the creation of security interests shall not be permitted.
5. The share acquisition rights may not be exercised if, in so doing, the total number of the Company’s issued shares at that time would exceed the total number of authorized shares.
6. It shall not be possible to exercise fractions less than one unit of the share acquisition rights.